Francis J. Earley (FE-7520)
MINTZ LEVIN COHN FERRIS
GLOVSKY and POPEO, P.C.
Chrysler Center
666 Third Avenue
New York, New York 10017
Telephone: (212) 935-3000

Attorneys for Defendant/Counterclaim Plaintiff
AUSTRALIAN GOLD, INC.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

S & L VITAMINS, INC., Plaintiff/Counterclaim Defendant, v. AUSTRALIAN GOLD, INC., Defendant/Counterclaim Plaintiff.	Civil Action No. 05 CV 1217 (JS)(ML)
AUSTRALIAN GOLD, INC., Third Party Plaintiff, v. Larry Sagarin and John Does, 1-10, Third Party Defendants.	

AUSTRALIAN GOLD'S BRIEF IN SUPPORT OF MOTION FOR PARTIAL SUMMARY JUDGMENT

Dockets.Justia.com

TABLE OF CONTENTS

TABLE OF AUTHORITIES ii

I. INTRODUCTION 2

II. STATEMENT OF FACTS 2

A. AUSTRALIAN GOLD 3

B. AUSTRALIAN GOLD'S DISTRIBUTION SYSTEM 4

C. S&L VITAMINS 5

III. ARGUMENT 5

A. AUSTRALIAN GOLD IS ENTITLED TO SUMMARY JUDGMENT ON S&L VITAMINS' THIRD CAUSE OF ACTION FOR UNFAIR COMPETITION 5

B. S&L VITAMINS' ALTERATION OF AUSTRALIAN GOLD'S PRODUCT IMAGES AND COPYRIGHTED ARTWORK CONSTITUTES UNAUTHORIZED DERIVATIVE WORK 6

1. Australian Gold is the owner of the copyrights. 7

2. S&L Vitamins engaged in authorized copying. 7

3. S&L Vitamins' Photographs Constitute Unauthorized Derivative Works. 8

C. S&L VITAMINS' USE OF AUSTRALIAN GOLD'S PRODUCT IMAGES AND COPYRIGHTED ARTWORK CONSTITUTES REVERSE PASSING OFF AND FALSE DESIGNATION OF ORIGIN 9

D. S&L VITAMINS IS BARRED FROM INVOKING THE FAIR USE DEFENSE WITH RESPECT TO AUSTRALIAN GOLD'S COPYRIGHT CLAIMS 15

IV. CONCLUSION 18

TABLE OF AUTHORITIES

FEDERAL CASES

American Greetings Corp. v. Kleinfab Corp.,
400 F. Supp. 228 (S.D.N.Y. 1975) 8

Australian Gold, Inc. v. Hatfield,
436 F.3d 1228 (10th Cir. 2006) 3

Bacardi & Co. Ltd. v. New York Lighter Co., Inc.,
2000 U.S. Dist. LEXIS 19852 (E.D.N.Y. 2000) 5

Bandag, Inc. v. Al Bolser's Tire Stores, Inc.,
750 F.2d 903 (Fed. Cir. 1984) 10, 11

Campbell v. Acuff-Rose Music, Inc.,
510 U.S. 569 (1994) 17

Chicago Board of Education v. Substance, Inc.,
354 F.3d 624 (7th Cir. 2003) 15

Davis v. The Gap, Inc.,
246 F.3d 152 (2d Cir. 2001) 16, 17

Eden Toys, inc. v. Floralee Undergarment Co., Inc.,
697 F.2d 27 (2d Cir. 1982) 11

El Greco Leather Prods. Co., Inc. v. Shoe World,
806 F.2d 392 (2d Cir. 1986) 13

Matrix Essentials, Inc. v. Karol,
1992 U.S. Dist LEXIS 8699 (N.D. Ill. 1992) 13

Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,
475 U.S. 574 (1986) 5

Monotype Imaging, Inc. v. Bitstream Inc.,
2005 U.S. Dist. LEXIS 7410 (N.D. Ill. 2005) 15

My-T-Fine Corp. v. Samuels,
69 F.2d 76 (2d Cir. 1934) 12

Osem Food Indus. Ltd. v. Sherwood Foods, Inc.,
917 F.2d 161 (4th Cir. 1990) 12

Peker v. Masters Collection,
96 F. Supp. 2d 216 (E.D.N.Y. 2000) 6, 7

Perfect Fit Indus., Inc. v. Acme Quilting Co.,
618 F.2d 950 (2d Cir. 1980)..........12

Pioneer Leimel Fabrics, Inc. v. Paul Rothmann Indus., Ltd.,
25 U.S.P.Q.2d 1096 (E.D. Pa. 1992) 14

Polaroid Corp. v. Polarad Elecs. Corp.,
287 F.2d 492 (2d Cir. 1961)..........9

Stormor v. Johnson,
587 F. Supp. 275 (W.D. Mich. 1984) 11

Twin Peaks Prods., Inc. v. Publ'ns Int'l,
778 F. Supp. 1247 (S.D.N.Y. 1991)..........17

Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.,
996 F.2d 1366 (2d Cir. 1993)..........6, 7

Waldman Publ'g Corp. v. Landoll, Inc.,
43 F.3d 775 (2d Cir. 1994)..........9

Waldman Publ'g Corp. v. Landoll, Inc.,
848 F. Supp. 498 (S.D.N.Y. 1994) 9, 10

Web Printing Controls, Co., Inc. v. Oxy-Dry Corp.,
906 F.2d 1202 (7th Cir. 1990) 10

Weight Watchers Int'l, Inc. v. The Stouffer Corp.,
744 F. Supp. 1259 (S.D.N.Y. 1990)..........14

STATE CASES

Telford Home Assistance, Inc. v. TPC Home Care Services, Inc.,
621 N.Y.S.2d 636-637 (1995)..........6

FEDERAL STATUTES

17 U.S.C. § 101 7

17 U.S.C. § 106 .... 1, 6

17 U.S.C. § 107 16

15 U.S.C. § 1125(a) 1, 9

17 U.S.C. § 410(c) 7

Fed. R. Civ. P. 56(c) 5

Defendant Australian Gold, Inc. ("Australian Gold") now moves the Court for partial summary judgment pursuant to Rule 56 of the Federal Rules of Civil Procedure on Count III of Plaintiff's Complaint and Counts I and III of its Second Amended Counterclaims.

I. INTRODUCTION

The undisputed facts establish that Plaintiff's, S&L Vitamins, Inc. ("S&L Vitamins"), claim for unfair competition fails because no set of facts entitle it to relief, and, more importantly, Plaintiff concedes it sustained no damages.

Australian Gold is also entitled to summary judgment on Count I of its Amended Counterclaims for copyright infringement under 17 U.S.C. § 106. S&L Vitamins' alteration of Australian Gold's product images constitutes an unauthorized derivative work of Australian Gold's copyrighted label artwork.

Further, Australian Gold is entitled to summary judgment on Count III of its Amended Counterclaims for violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). S&L Vitamins' prominent use of its trade names and logos in connection with its copies of Australian Gold's product images and description creates the false and confusing impression that S&L Vitamins is the source of Australian Gold's tanning products, is sponsored by Australian Gold or is otherwise authorized to sell Australian Gold's tanning products.

II. STATEMENT OF FACTS

Pursuant to Local Rule 56.1, the facts necessary for a resolution of this motion are fully set forth in Australian Gold's accompanying Statement Of Material Facts ("AG Facts"), which was filed on September 28, 2006. Citations to the evidentiary record in this memorandum will be made to that document which, in turn, provides the citations to the documents and/or admissions supporting the asserted facts. The material facts in support of this motion are generally not opposed by S&L Vitamins.

A. AUSTRALIAN GOLD

Australian Gold is a leading manufacturer of premium quality indoor tanning lotions and related tanning products, which are sold throughout the U.S. and the world under the brand names Australian Gold, Swedish Beauty and Caribbean Gold (hereafter, the "Products"). (Australian Gold's Rule 56.1 Statement (hereinafter "AG Facts" ¶¶ 4, 5; S&L Vitamins Response to Australian Gold's Rule 56.1 Statement (hereinafter "S&L Response") ¶¶ 4, 5.) To promote the Products, Australian Gold created a series of distinctive product labels containing Australian Gold's copyrighted artwork, including: Forever After (Reg. No. VA 1-309-535), Cheeky Brown (Reg. No. VA 1-309-533), Body Kisses (Reg. No. VA 1-309-530), Bearly Legal (Reg. No. VA 1-309-534), Unforgiven (Reg. No. VA 1-309-536), Sun Dreams (Reg. No. VA 1-309-531), Simply Divine (Reg. No. VA 1-309-529), Pink Diamond (Reg. No. VA 1-309-537) and Free Spirit (Reg. No. VA 1-309-532) (collectively, the "Australian Gold Copyrights"). (AG Facts ¶ 8; S&L Response ¶ 8.)

Australian Gold takes extensive steps to ensure the safe use and protect the reputation of the Products as premium quality goods by limiting their authorized sale to the public through tanning salons that receive training in the proper use of Australian Gold's Products. *See Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1232 (10th Cir. 2006) ("[Australian Gold] emphasize[s] training in part because a consumer's use of the wrong product could cause an adverse reaction, which could harm Plaintiff's prospects for follow on sales.").

B. AUSTRALIAN GOLD'S DISTRIBUTION SYSTEM

The Products are sold to tanning salons through distributors who are subject to a Distributorship Agreement that requires the distributors and salons to be trained in the use of the Products and that restricts the resale of the Products to bona fide tanning salons. (AG Facts ¶¶ 10-12; S&L Response ¶¶ 10-12.) Australian Gold also provides training programs and expends substantial time and effort to educate both distributors and tanning salons in the proper use of Australian Gold's products. (AG Facts ¶¶ 12, 14-19; S&L Response ¶¶ 12, 14-19.)

Australian Gold actively polices the unauthorized sale of its Products by routinely conducting "store checks" and maintaining a "do not sell list" to prevent distributors from reselling the Products to unauthorized dealers. (AG Facts ¶¶ 21, 26.) In addition, Australian Gold expressly prohibits the resale of the Products through the Internet and actively polices the sale of the Products on the Internet. (AG Facts ¶¶ 22-26; S&L Response 22-26.)

C. S&L VITAMINS

S&L Vitamins sells tanning lotions and related tanning products through its Internet Website "BodySourceOnLine.Com,"[1] including the complete line of Australian Gold's Products. (AG Facts ¶¶ 27, 28, 34, 35, 37-39; S&L Response ¶¶ 27, 28, 34, 35, 37-39.) Sales of the Products are more profitable than any other products sold by S&L Vitamins and represent a substantial portion of S&L Vitamins' business. (AG Facts ¶¶ 29-32; S&L Response ¶ 29-32.)

S&L Vitamins is not authorized by Australian Gold to sell any of the Products, nor does S&L Vitamins otherwise qualify as an authorized distributor of Australian Gold's Products. (AG Facts ¶¶33-35, 64-65; S&L Response ¶ 33-35, 64-65.) S&L Vitamins does not offer any tanning salon services or receive any training on the proper use of the Products and, in fact, is listed in

[1] S&L Vitamins' Internet Website "BodySourceOnLine.Com" is accessible through the domain name addresses "bodysourceonline.com" and "thesupplenet.com."

Australian Gold's "do not sell list," a list of unauthorized resellers to whom Australian Gold objects to the sale of its Products. (AG Facts ¶¶ 64-66; S&L Response¶¶ 64-66.) Despite S&L Vitamins' knowledge that it is not authorized to sell Australian Gold's Products and is listed on Australian Gold's "do not sell list," S&L Vitamins has nonetheless conspired to circumvent Australian Gold's efforts to protect the reputation and safe use of its products by purchasing the Products in bulk directly from tanning salons, thereby evading the safeguards of Australian Gold's Distributorship Agreement. (AG Facts ¶ 36; S&L Response ¶ 36.)

S&L Vitamins advertises Australian Gold's Products for sale on its "BodySourceOnLine.Com" Website by displaying full-sized images of the Products and Australian Gold's copyrighted label artwork. (AG Facts ¶¶ 49, 50, Ex. K; S&L Response ¶¶ 49-50.) S&L Vitamins admits that these full-sized images were intended to copy Australian Gold's own photographs of the Products used on Australian Gold's Website "australiangold.com." (AG Facts ¶ 50; S&L Response ¶ 50.) S&L Vitamins also admits that the advertising copy used on the "BodySourceOnLine.Com" Website was copied directly from Australian Gold's own descriptions of the Products. (AG Facts ¶¶ 47, 48; S&L Response ¶¶ 47, 48.) Moreover, S&L Vitamins further altered each image by superimposing over or placing directly adjacent to the image of the Product its "BodySourceOnLine.Com" and "Body Source" trade names and logos. (AG Facts ¶ 51; S&L Response ¶ 51.)

III. ARGUMENT

Summary judgment is appropriate "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). When deciding a motion for summary judgment, "the district court must resolve all ambiguities and draw all reasonable inferences in the light most favorable to the opposing party . . . However, when there is nothing more than a 'metaphysical doubt as to the material facts,' summary judgment is proper." *Bacardi & Co. Ltd. v. New York Lighter Co., Inc.*, 2000 U.S. Dist. LEXIS 19852 at *13-14 (E.D.N.Y. 2000), *quoting*, *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). Accordingly, "there must exist 'specific facts showing that there is a genuine issue of trial' in order to deny summary judgment." *Bacardi*, 2000 U.S. Dist. LEXIS 19852 at *14.

A. AUSTRALIAN GOLD IS ENTITLED TO SUMMARY JUDGMENT ON S&L VITAMINS' THIRD CAUSE OF ACTION FOR UNFAIR COMPETITION

S&L Vitamins' third cause of action, which is captioned "Unfair Competition" alleges that Australian Gold's claims of trademark infringement against S&L Vitamins (which, at that time S&L Vitamins sued Australian Gold were only asserted in a demand letter to S & L Vitamins) were false and that by making such claims in its demand letter it "invoked various claims under the Lanham Act, and other claims in an attempt to obtain a business advantage beyond the rights afforded Defendant under such laws." *See* Complaint, ¶ 47-48. S&L Vitamins alleged that it has suffered and will continue suffer economic harm. Complaint, ¶ 50. Notwithstanding the fact that there is no supporting law for such a claim, S & L Vitamins has conjured up a theory under the guise of an unfair competition claim. Accordingly, S&L Vitamins claim for unfair competition against Australian Gold fails as a matter of law. Under

New York law, a claim for unfair competition generally involves the use of a plaintiff's trade name or trademark where a plaintiff can establish that the defendant's acts constituted unfair appropriation of the special quality attached to that name. *See e.g. Telford Home Assistance, Inc. v. TPC Home Care Services, Inc.*, 621 N.Y.S.2d 636-637 (1995). In this case, it is not S&L Vitamins' name and trademarks which have been misappropriated, but Australian Gold's. S&L Vitamins is using Australian Gold's names, trademarks and copyrights in violation of federal law.[2] The fact that Australian Gold has asserted meritorious and winning claims in this lawsuit (as shown below) is more than sufficient by itself to defeat this claim.

Moreover, this claim is doomed because S&L Vitamins admitted that it sustained no damages. *See* (AG Facts ¶ 70 and S&L Vitamin's Response thereto). Without damages, S&L Vitamins is not entitled to any relief, even if it had pled a cognizable and appropriate legal theory, which it did not. Thus, Australian Gold is entitled to summary judgment on this Count III of Plaintiff's Complaint.

B. S&L VITAMINS' ALTERATION OF AUSTRALIAN GOLD'S PRODUCT IMAGES AND COPYRIGHTED ARTWORK CONSTITUTES UNAUTHORIZED DERIVATIVE WORKS

Australian Gold is entitled to summary judgment on Count I of its Counterclaims for copyright infringement. S&L Vitamins' photographs of Australian Gold's copyrighted artwork as displayed on its Website (*See* AG Facts, Ex. K) constitute derivative works in violation of Australian Gold's exclusive rights under 17 U.S.C. § 106.

A claim for copyright infringement requires proof of "(1) ownership of a copyright and (2) that the defendant engaged in unauthorized 'copying,' which is shorthand for any infringement on one of the copyright owner's exclusive rights as defined in 17 U.S.C. § 106." *Peker v. Masters Collection*, 96 F. Supp. 2d 216, 218 (E.D.N.Y. 2000); *Twin Peaks Prods., Inc.*

---

[2] S&L Vitamins has not alleged that Australian Gold used the S&L Vitamins name or intellectual property (if any) in any fashion.

v. Publ'ns Int'l, Ltd., 996 F.2d 1366, 1372 (2d Cir. 1993). Copying may be established by "showing that the defendant had access to the plaintiff's work and that the two works are substantially similar." *Twin Peaks*, 996, F.2d at 1372. *See also Peker*, 96 F. Supp. 2d at 218-19.

The owner of a copyright has the "exclusive rights … to prepare derivative works based on the copyrighted work." 17 U.S.C. § 106(2). As defined by the Copyright Act, derivative works include "A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship." 17 U.S.C. § 101.

1. Australian Gold is the owner of the copyrights.

Australian Gold has eight copyrights in the artwork for the labels of its products. (Ag Facts, Ex. B.) The Australian Gold Copyrights are presumptively valid Under Section 410(c) of the Copyright Act, 17 U.S.C. § 410(c), which states that:

> (c) In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. 17 U.S.C. § 410(c).

Each of the Australian Gold Copyrights were registered on June 13, 2005, less than five years after their date of first publication on April 1, 2004. (AG Facts ¶ 8, Ex. B.) Accordingly, the certificates of registration constitute prima facie evidence of the validity of the Australian Gold Copyrights.

2. S&L Vitamins engaged in authorized copying.

S&L Vitamins' "BodySourceOnLine.Com" Website contains full-sized images of Australian Gold's Products that reproduce the entirety of Australian Gold's copyrighted label artwork in the Australian Gold Copyrights. (AG Facts ¶¶ 49, 50, Ex. K.) S&L Vitamins admits that it had access to these copyrights because, not only does it purchase the Products, but it took photographs of the actual copyrighted labels. These images are substantially similar to

Australian Gold's registered copyrights in the labels. (*Compare* AG Facts; Ex. B with Ex. K). S&L Vitamins further admits that these full-sized images were intended to reproduce Australian Gold's own images of its Products used on Australian Gold's Internet Website "australiangold.com" and the Australian Gold Copyrights. (AG Facts ¶ 50.) Accordingly, S&L Vitamins not only had access to Australian Gold's copyrighted works, but intentionally copied them in their entirety.

3. S&L Vitamins' Photographs Constitute Unauthorized Derivative Works.

In the case at hand, the images created by S&L Vitamins are unauthorized derivative works. All of the images are based upon Australian Gold's copyrighted works and are substantially similar to the original work. As such, Australian Gold has the exclusive right to prepare derivative works.

The images posted by S&L Vitamins on the website are substantially similar to the Australian Gold's works. S&L Vitamins modified Australian Gold's copyrighted labels by printing its "BodySourceOnLine.Com" and "Body Source" trade names and logos next to each image -- in some cases, placing the "Body Source" logo over the image of the Product. (AG Facts ¶ 51, Ex. A.) By inserting its "BodySourceOnLine.Com" and "Body Source" trade names and logos into these images, S&L Vitamins created unauthorized derivative works in violation of Australian Gold's exclusive rights in the Australian Gold Copyrights. *American Greetings Corp. v. Kleinfab Corp.*, 400 F. Supp. 228, 232-33 (S.D.N.Y. 1975) (inscription of "Put on a Happy Face" on illustration "created a derivative work containing additional matter making the work distinguishable from the underlying work alone"). Thus, S&L Vitamins is liable for copyright infringement.

In sum, Australian Gold requests that the Court enter summary judgment on the issue of liability on Count I for copyright infringement. It further requests that the Court issues a permanent injunction enjoining S&L Vitamins from infringing on any of Australian Gold's copyrighted works.

C. S&L Vitamins' Use Of Australian Gold's Product Images And Copyrighted Artwork Constitutes Reverse Passing Off And False Designation Of Origin

Australian Gold is entitled to summary judgment on the issue of liability on Count III of its Amended Counterclaims for unfair competition.[3] S&L Vitamins' use of its "BodySourceOnLine.Com" and "Body Source" trade names and logos in connection with images of Australian Gold's Products and copyrighted label artwork, and S&L Vitamins' assertion of "All Rights Reserved" in those images, constitutes reverse passing off and false designation of origin under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

Section 43(a) of the Lanham Act provides that "any person who uses in commerce any word, term, name, symbol, or device,... which...is likely to cause confusion, or to cause mistake or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship or approval of his or her goods, services, or commercial activities by another person...shall be liable in a civil action." 15 U.S.C. §1125(a).

Section 43(a) prohibits "reverse passing off," where "'A' sells 'B's' product under "A's" name." *Waldman Publ'g Corp. v. Landoll, Inc.*, 43 F.3d 775, 780 (2d Cir. 1994). Similarly, the "reproduction of a work with a false representation as to its creator" also constitutes false designation of origin in violation of Section 43(a). *Waldman*, 43 F.3d at 781. Unlike cases of direct trademark infringement - i.e. where the defendant marks its own products with a trademark that is the same or similar as plaintiff's trademark - the question of reverse passing off does not require traditional analysis of the likelihood of confusion under the "Polaroid factors." *Waldman Publ'g Corp. v. Landoll, Inc.*, 848 F. Supp. 498, 503 (S.D.N.Y. 1994)(*citing*, *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)). Rather, reverse passing off simply requires a showing that:

---

[3] Australian Gold is not seeking summary judgment on the issue of damages as the amount of damages to which it is entitled is contested and will have to be tried to a jury.

> [defendant] affixed a false designation of origin to its [goods], that [defendant] used the false designation in commerce, that the false designation is likely to cause consumer confusion, and that [plaintiff is] likely to be damaged by the false designation.

Waldman Publ'g Corp. v. Landoll, Inc., 43 F.3d at 780. *See also*, *Waldman*, 848 F. Supp. at 503-504 ("a plaintiff need only establish a 'likelihood that an appreciable number of ordinary prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question')(*quoting*, *Charles of the Ritz Group Ltd. v. Quality King Dist., Inc.*, 832 F.2d 1317, 1321 (2d Cir. 1987)).

S&L Vitamins has "affixed a false designation of origin" to its goods and has "used the false designation in commerce" by displaying images of Australian Gold's Products and copyrighted label artwork on its "BodySourceOnLine.Com" Website that have been altered by placing S&L Vitamins' "BodySourceOnLine.Com" and "Body Source" trade names and logos superimposed over or directly adjacent to the image of the Product. (AG Facts ¶ 51, Ex. K.)

S&L Vitamins' use of its trade names and logos in close proximity to Australian Gold's products creates the false and misleading impression that those products either originate from S&L Vitamins or that S&L Vitamins is authorized to sell Australian Gold's Products. *See e.g.*, *Web Printing Controls, Co., Inc. v. Oxy-Dry Corp.*, 906 F.2d 1202, 1204 (7th Cir. 1990) (reverse passing off under Section 43(a) found where defendant "obliterated, hid, or otherwise confused [plaintiff's] trademark" by using a combination of plaintiff's and defendant's trademarks on plaintiff's products and over plaintiff's trademarks); *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 911 (Fed. Cir. 1984) (use of plaintiff's trademark in close proximity to defendant's description of its services "clearly implied" that defendant was one of plaintiff's authorized representatives); *Stormor v. Johnson*, 587 F. Supp. 275, 279 (W.D. Mich. 1984) (likelihood of confusion created by defendants' advertisement of plaintiff's products using plaintiff's promotional literature stamped with defendants' names).

The misleading impression created by S&L Vitamins' use of its trade names and logos on images of the Products is aggravated by S&L Vitamins' false claim of "All Rights Reserved" in those altered images. Such assertion of rights falsely implies that S&L Vitamins is the creator of Australian Gold's product images and copyrighted label artwork, and consequently reinforces the public's mistaken belief that S&L Vitamins is either the source of the Products or is otherwise authorized by Australian Gold. *See Bandag,* 750 F.2d at 911. ("Although [defendant] could advertise that it sold [plaintiff's products], it was obliged not to do so in a manner which would have been likely to suggest to prospective customers that it was part of the [plaintiff's] organization of franchisees . . . The problem was primarily one of designing clear, truthful advertising copy and using straightforward business practices."); *Stormor,* 587 F. Supp. at 279 (an unauthorized reseller of plaintiffs goods not entitled to use plaintiff's trademarks in a manner that suggests they are affiliated with plaintiff).

In addition, a false claim of authorship of a copyrighted work also constitutes a false designation of origin under Section 43(a).[4] *See Eden Toys, inc. v. Floralee Undergarment Co., Inc.*, 697 F.2d 27, 37 (2d Cir. 1982) (defendant's marking of copies of plaintiff's copyrighted work as "Fred Original" constitutes false designation of origin or false description, creating

[4] S&L Vitamins has put its name and logos over *all* of Australian Gold's Products, not just those labels for which Australian Gold has registered copyrights. *See* Ag Facts Ex. K.

likelihood that consumers will be misled and damage to plaintiff.). S&L Vitamins' use of the phrase "All Rights Reserved" on images of the Products inherently creates the false impression that S&L Vitamins is the creator of Australian Gold's product images and copyrighted artwork. S&L Vitamins admits that the images of the Products on the "BodySourceOnLine.Com" Website were copied from Australian Gold's photographs of the Products. (AG Facts ¶ 50.) Furthermore, S&L Vitamins' images of the Products infringe the Australian Gold Copyrights, as discussed below. Thus, S&L Vitamins is not entitled to claim authorship of the images of the Products and S&L Vitamins' claim of "All Rights Reserved" in images of Australian Gold's Products is a false and misleading designation of origin under Section 43(a).

S&L Vitamins' intent is evidenced by its false claim of "All Rights Reserved." S&L Vitamins clearly intends others to believe that it created the images of Australian Gold's Products and copyrighted artwork used on the "BodySourceOnLine.Com" Website. In view of S&L Vitamins' deliberate copying of Australian Gold's product images, the likelihood of confusion resulting from such false designation of origin is presumed. *Perfect Fit Indus., Inc. v. Acme Quilting Co.*, 618 F.2d 950, 954 (2d Cir. 1980) ("If there was intentional copying the second comer will be presumed to have intended to create a confusing similarity of appearance and will be presumed to have succeeded."); *Osem Food Indus. Ltd. v. Sherwood Foods, Inc.*, 917 F.2d 161, 165 (4th Cir. 1990) ("[F]rom such intentional copying arises a presumption that the newcomer is successful and that there is a likelihood of confusion. It would be inconsistent not to require one who tries to deceive customers to prove they have not been deceived."), following, *My-T-Fine Corp. v. Samuels*, 69 F.2d 76, 77 (2d Cir. 1934).

Australian Gold is damaged by S&L Vitamins' conduct. First, there is a likelihood that consumers will believe that S&L Vitamins is an authorized distributor of the Products. In fact, Australian Gold has received complaints of that nature from at least one consumer. (AG Fact. ¶ 63.) Second, Australian Gold is damaged by the sale of Products over the internet because those sales represent nameless, faceless transactions, without any personal consultation on the proper use of the Products. Australian Gold takes extensive efforts to ensure that its Products are only sold through authorized tanning salons that receive training to ensure the proper use of Australian Gold's Products. (AG Facts ¶¶ 10-12, 14-19, 21-23, 25, 26; S&L Response 10-12, 14-19, 21-13, 25, 26.) S&L Vitamins admits that it does not offer tanning salon services, nor receives any instruction or training in the safe use of tanning products. (AG Facts ¶¶ 33-34.) Thus, Australian Gold will be damaged by the fact that S&L Vitamins does not sell "genuine" Australian Gold Products. See e.g., *El Greco Leather Prods. Co., Inc. v. Shoe World*, 806 F.2d 392, 395 (2d Cir. 1986)("One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark"); *Matrix Essentials, Inc. v. Karol*, No. 89 C 9611, 1992 U.S. Dist LEXIS 8699 at *12 (N.D. Ill. 1992) ("A product is not truly 'genuine' unless it is manufactured and distributed under quality controls established by the manufacturer.")

Another form of damages is that the public "may reasonably assume that [plaintiff] stands behind these sales; that would create a misleading impression of sponsorship and approval." *Matrix Essentials, Inc. v. Karol,* 1992 U.S. Dist. LEXIS 8699 at *17 (N.D. Ill. 1992). Despite S&L Vitamins' explicit knowledge that its sale of the Products is not authorized by Australian Gold, S&L Vitamins has failed to disclose that it is not authorized by Australian Gold to distribute the Products and that Australian Gold prohibits S&L Vitamins' sale of its Products on the Internet. Thus, "[w]hile [defendant] does not expressly claim to be an authorized distributor, he takes no steps to notify his customers or their customers, the general public, that he is not part of [plaintiff's] distribution network and that [plaintiff] does not intend [its] products to be sold in his customer's stores."). *Matrix Essentials*, 1992 U.S. Dist. LEXIS 8699 at *17. Accordingly, any customer dissatisfaction caused by S&L Vitamins' failure to provide proper instruction in the use of Australian Gold's tanning products will be imputed to Australian Gold, causing damage to the good will in Australian Gold's products. See *Pioneer Leimel Fabrics, Inc. v. Paul Rothmann Indus., Ltd.*, 25 U.S.P.Q.2d 1096, 1104 (E.D. Pa. 1992).[5]

Finally, Australian Gold is also likely to sustain harm to its reputation and goodwill. It has promised its distributors and the tanning salons that Products would only be available in tanning salons and not on the internet. Australian Gold has spent over $1.5 million in training on the proper use of its Products. Australian Gold has further been required to offer special financial programs to salons who have complained about the sale of Products on the internet. (Australian Gold's Response to S&L Vitamins' Statement of Material Facts Pursuant to Local Rule 56.1 ¶37.)

In sum, S&L Vitamins has affixed a false designation of origin as to Australian Gold's Products and use that false designation in commerce on its Website. The conduct of S&L Vitamins creates a likelihood of confusion as to the affiliation, connection, or association

---

5 S&L Vitamins' Website includes a general disclaimer of affiliation with "ANY Tanning Lotion Manufacturer" (AG Facts ¶¶ 21-22). However, the disclaimer fails to specifically identify Australian Gold (AG Facts ¶ 56) and does little to eliminate consumer confusion. When considering the effectiveness of a disclaimer,

> [E]ach case must be judged by considering the business and consumers, as well as the proximity of the disclaimer to the infringing statements, and that when disclaimers are used as remedies, the burden is on the infringer to prove that they reduce the likelihood of confusion.

Weight Watchers Int'l, Inc. v. The Stouffer Corp., 744 F. Supp. 1259, 1276 (S.D.N.Y. 1990).

S&L Vitamins' disclaimer appears on only certain pages of its Website and must be accessed through a link to yet another web page. (AG Facts ¶¶ 54-55.) Moreover, S&L Vitamins' full size images of Australian Gold's product do not contain a disclaimer or a link to a disclaimer. (AG Facts ¶ 24, Ex. K) Thus, S&L Vitamins' disclaimer cannot eliminate confusion created by the use of its trade name and logos in connection with Australian Gold's products. Cf. *Weight Watchers*, 744 F. Supp. at 1277 (disclaimer on advertisement is ineffective where viewer is prompted to clip the advertisement in a way that removes the disclaimer).

between Australian Gold and S&L Vitamins and as to the origin of the Products. Australian Gold has also established that it is likely to be damaged by this conduct.

For these reasons, Australian Gold is entitled to summary judgment on the issue of liability for this claim. Australian Gold requests that the Court further issue an injunction to enjoin S&L Vitamins from violating Section 43(a) of the Lanham Act and from using its "BodySourceOnLine.Com" and "Body Source" trade names and logos (or any other logos or names) in connection with Australian Gold's trade names and logs (or any other logos or names) in connection with Australian Gold's names, trademarks, images and copyrighted labels of its Products on S&L Vitamins' Website.

D. S&L Vitamins Is Barred From Invoking The Fair Use Defense With Respect to Australian Gold's Copyright Claims.

S&L Vitamins has failed to plead the affirmative defense of fair use in response to Australian Gold's Counterclaims and thus should be precluded from asserting this defense in response to this motion. Although the Second Amended Counterclaim added a claim for copyright infringement, S&L Vitamins' Answer to the Second Amended Counterclaim [Dkt. Ent. 72] pled fair use as an affirmative defense only with respect to Australian Gold's trademark infringement claim. S&L Vitamins states "Any use by plaintiffs of trademarks owned by defendant was fair use and not trademark use."

Fair use is an affirmative defense to a copyright action upon which the defendants bear the burden of proof.[6] If it is not pled, it is waived. *Chicago Board of Education v. Substance, Inc.*, 354 F.3d 624, 629 (7th Cir. 2003); *Monotype Imaging, Inc. v. Bitstream Inc.*, 2005 U.S. Dist.

---

[6] S&L Vitamins should be well-aware of the importance of pleading fair use with respect to copyright claims. In a similar litigation with another tanning lotion manufacturer, S&L Vitamins was sued for copyright infringement based on the substantially same conduct. *See California Tan, Inc. v. Body Source Ltd.*, Case No. CV04-1052DT in the United States District Court for the Central District of California. In that litigation, S&L Vitamins also failed to raise fair use as a defense to the copyright claims. In fact, it appears that it copied verbatim the affirmative defenses used in the *California Tan* lawsuit.

LEXIS 7410 at *15-16 (N.D. Ill. 2005). Accordingly, S&L Vitamins is not entitled to assert the defense of fair use with respect to any of Australian Gold's copyright claims.

Even if the Court were to consider the issue of fair use, S&L Vitamins' unauthorized derivative works are not a fair use of Australian Gold's copyrighted works. Section 107 of the Copyright Act provides an exception to a copyright owner's exclusive rights for "fair use of a copyrighted work … for purposes such as criticism, comment, news reporting, teaching … scholarship, or research." 17 U.S.C. § 107. The question of "fair use" requires consideration of the following factors:

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C. § 107.

There is no question that S&L Vitamins has copied Australian Gold's Product images for a commercial purpose -- i.e. the advertisement of S&L Vitamins' unauthorized sale of Australian Gold's Products. *See Davis v. The Gap, Inc.*, 246 F.3d 152, 175 (2d Cir. 2001) ("the work, being an advertisement, is at the outer limit of commercialism"). S&L Vitamins is using Australian Gold's copyrighted artwork for the same purpose it was designed – to sell Australian Gold Products. The Copyrights are reserved for use by Australian Gold and its authorized retailers – not for internet websites who sell the Products in violation of Australian Gold's distribution system.

Under the second factor, the Australian Gold Copyrights are for creative label artwork, which fall within "the core of intended copyright protection." In particular, the second factor "calls for recognition that some works are closer to the core of intended copyright protection" -- e.g., creative versus factual works. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586 (1994). The labels are without question creative by nature.

Under the third factor, S&L Vitamins has not only used a substantial portion of the Australian Gold Copyrights, but has copied Australian Gold's copyrighted label artwork in its entirety. Thus, this factor finds against fair use.

Under the fourth factor, S&L Vitamins' has copied Australian Gold's product images to advertise S&L Vitamins' unauthorized sale of Australian Gold's tanning products. Because this is the same purpose for which the Australian Gold Copyrights were created, there is no question that S&L Vitamins' unauthorized derivative works supersede the original purpose and harm the market value of Australian Gold's copyrighted label artwork. See *Davis*, 246 F.3d at 175-76 ("If, on the other hand, the secondary use, by copying the first, offers itself as a market substitute and in that fashion harms the market value of the original, this factor argues strongly against a finding of fair use."). Thus, S&L Vitamins' has undermined the value of Australian Gold's copyrighted label artwork by appropriating it for its own use in selling non-genuine Australian Gold products. Cf. *Twin Peaks Prods., Inc. v. Publ'ns Int'l*, 778 F. Supp. 1247, 1250 (S.D.N.Y. 1991) (the fair use defense is a "balancing of the exclusive right of a copyright holder with the public's interest in the dissemination of information," and not a "license for corporate theft"). Accordingly, S&L Vitamins' derivative works of Australian Gold's copyrighted label artwork are not be protected by the fair use doctrine.

IV. CONCLUSION

For the foregoing reasons, Australian Gold requests that this Court grant its motion for summary judgment on Count III of S&L Vitamins' Complaint and Counts I and III of Australian Gold's Second Amended Counterclaims.

New York, New York
December 11, 2006

Respectfully submitted,

Francis J. Earley (FE-7520)
MINTZ LEVIN COHN FERRIS
GLOVSKY AND POPEO, P.C.
Chrysler Center
666 Third Avenue
New York, New York 10017
Telephone: (212) 935-3000
Fax: (212) 983-3115

Michael A. Wukmer
Scott D. Matthews
ICE MILLER LLP
One American Square, Suite 3100
Indianapolis, Indiana 46282
Telephone: (317) 236-2100
Facsimile: (317) 236-2219

Attorneys for Defendant/Counterclaim Plaintiff
AUSTRALIAN GOLD, INC.